

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 PA-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 382

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC, IT

SUBJECT: EC COMMISSION ASKS GOI TO EXPLAIN DELAYED PAYMENTS BY
STATE TOBACCO MONOPOLY

PASS AGRICULTURE

1. LOCAL PRESS REPORTS THAT EC COMMISSION HAS REQUESTED
GOI TO EXPLAIN WITHIN ONE MONTH WHY STATE TOBACCO
MONOPOLY (STM) IS BEHIND AS MUCH AS EIGHT MONTHS IN PAY-
MENTS TO CIGARETTE/CIGAR MANUFACTURERS IN GERMANY AND
THE NETHERLANDS FOR PRODUCTS DELIVERED TO STM. COMMISSION
CONSIDERS THIS A TRADE RESTRICTION INCONSISTENT WITH
EC OBLIGATIONS AND HAS THREATENED TO TAKE CASE TO EUROPEAN
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COURT OF JUSTICE IF SATISFACTORY SOLUTION NOT FORTHCOMING.

2. MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA INFORMED EMBOFF THAT DELAY IN PAYMENTS RESULTS FROM SHORTAGE OF APPROPRIATED FUNDS IN STM BUDGET, WHICH IN THIS CASE CANNOT BE AUGMENTED WITHOUT ACTION BY PARLIAMENT. HIGHER PRICES AND INCREASED IMPORTS, ACCORDING TO CALAMIA, HAVE EXHAUSTED STM FUNDS FOR PURCHASE OF TOBACCO PRODUCTS. TO SWITCH FUNDS FROM ANOTHER CHAPTER IN BUDGET, WHICH IS WAY GOI HAS DECIDED TO HANDLE PROBLEM, REQUIRES AFFIRMATIVE ACTION BY PARLIAMENT. NOT UNEXPECTEDLY, PARLIAMENT HAS NOT YET GOTTEN AROUND TO ACTING ON GOI PROPOSAL. IN ABSENCE SUCH PARLIAMENTARY ACTION, THERE IS NO LOGAL WAY FOR STM TO PAY SUPPLIERS, CALAMIA SAID.

3. CALAMIA NOTED THAT ABOVE EXPLANATION HAD ALREADY BEEN PROVIDED TO COMMISSION, BUT THAT NEVERTHELESS COMMISSION PROCEEDED TO MAKE FORMAL REQUEST FOR SATISFACTORY EXPLANATION BACKED BY THREAT OF POSSIBLE EUROPEAN COURT OF JUSTICE ACTION.

4. COMMENT: EC COMMISSION ACTION UNLIKELY INCREASE "ALL DELIBERATE SPEED" PACE AT WHICH ITALIAN PARLIAMENT MOVES ON SUCH MATTERS. STM IS USUALLY SOMWHAT BEHIND ON PAYMENTS, BUT PRESENT SITUATION IS EXCEPTIONAL. THIS IS NOT RPT NOT A HIGH PRIORITY ITEM FOR GOI; IF IT WERE, MINISTRY FINANCE WOULD PROBABLY BE ABLE TO "FIND" SOME FUNDS WITHOUT RECOURSE TO PARLIAMENT. VOLPE

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